Procedure file

Basic information

NLE - Non-legislative enactments Decision	2010/0135(NLE)	Procedure completed
Adoption by Estonia of the euro on 1 January 2011 Subject 5.20.02 Single currency, euro, euro area Geographical area Estonia		

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		10/02/2010
		S&D SCICLUNA Edward	
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	3027	13/07/2010
	Economic and Financial Affairs ECOFIN	3020	08/06/2010
European Commission	Commission DG	Commissioner	
	Economic and Financial Affairs	REHN Olli	

Key events

12/05/2010	Legislative proposal published	COM(2010)0239	Summary
02/06/2010	Vote in committee		Summary
04/06/2010	Committee report tabled for plenary, 1st reading/single reading	A7-0182/2010	
08/06/2010	Debate in Council	3020	Summary
14/06/2010	Debate in Parliament		
15/06/2010	Committee referral announced in Parliament		
16/06/2010	Results of vote in Parliament		
16/06/2010	Decision by Parliament	T7-0217/2010	Summary
13/07/2010	Act adopted by Council after consultation of Parliament		
13/07/2010	End of procedure in Parliament		

28/07/2010	Final act published in Official Journal		

Technical information

Procedure reference	2010/0135(NLE)
Procedure type	NLE - Non-legislative enactments
Procedure subtype	Consultation of Parliament
Legislative instrument	Decision
Legal basis	Treaty on the Functioning of the EU TFEU 140-p2
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/02913

Documentation gateway

Legislative proposal		COM(2010)0239	12/05/2010	EC	Summary
Document attached to the procedure		COM(2010)0240	12/05/2010	EC	Summary
Committee draft report		PE441.374	17/05/2010	EP	
Amendments tabled in committee		PE442.848	25/05/2010	EP	
Committee report tabled for plenary, 1st reading/single reading		A7-0182/2010	04/06/2010	EP	
Text adopted by Parliament, 1st reading/single reading		T7-0217/2010	16/06/2010	EP	Summary
European Central Bank: opinion, guideline, report		CON/2010/0052 OJ C 190 14.07.2010, p. 0001	05/07/2010	ECB	Summary

Additional information

National parliaments	IPEX
European Commission	EUR-Lex

Final act

Decision 2010/416
OJ L 196 28.07.2010, p. 0024 Summary

Adoption by Estonia of the euro on 1 January 2011

The present proposal for a Council Regulation aims to amend Council Regulation (EC) No 974/98 on the introduction of the euro.

On 12 May 2010, the Commission adopted a proposal for a Council Decision in accordance with Article 140(2) Treaty on the Functioning of the European Union, indicating that Estonia fulfils the necessary conditions for the adoption of the euro and that the derogation of Estonia is abrogated with effect from 1 January 2011 (see also the summary of COM(2010)0230 of the same day).

In order for Estonia to also be covered by Regulation (EC) No 974/98, a reference to this Member State needs to be added to this Regulation. The present proposal contains the necessary amendments to this Regulation.

Estonia's changeover plan specifies that the so-called ?big bang? scenario should be applicable, i.e. that the adoption of the euro as the currency of Estonia and the introduction of euro banknotes and coins in this Member State should coincide.

Estonia's changeover plan sets the same date for the euro adoption date and for the cash changeover date (1 January 2011), while the country has chosen not to have a "phasing-out" period.

Adoption by Estonia of the euro on 1 January 2011

PURPOSE: proposal on the adoption by Estonia of the euro on 1 January 2011.

PROPOSED ACT: Council Decision.

LEGAL BASE: Article 140(2) of the Treaty on the Functioning of the EU. The proposal falls under the exclusive competence of the Union.

IMPACT ASSESSMENT: discussions with Member States on economic policy challenges in Member States are held under various headings on a regular basis in the Economic and Financial Committee and ECOFIN/Eurogroup. These include informal discussions on issues specifically relevant to the preparation of eventual euro area entry (incl. exchange rate policies). Dialogue with academics and other interested groups takes place in the context of conferences/seminars and on an ad-hoc basis. Economic developments in the euro area and the Member States are assessed in the framework of the various procedures of economic policy co-ordination and surveillance (notably under Art. 121 of the Treaty), as well as in the context of the Commission?s regular monitoring and analysis of country-specific and area-wide developments (incl. forecasts, regular publication series, input to EFC and ECOFIN/Eurogroup). In accordance with the proportionality principle and in line with past practice, the Commission proposes not to develop a formal impact assessment.

BACKGROUND: Articles 140(1) of the Treaty on the Functioning of the EU provides that at least once every two years or at the request of a Member State with a derogation from, the Commission and the European Central Bank have to report to the Council on the progress made in the fulfilment by Member States with a derogation of their obligations regarding the achievement of economic and monetary union. Based on its own report and that of the ECB, the Commission can submit to the Council a proposal to abrogate the derogation of the Member States fulfilling the necessary conditions. The Convergence Report 2010 covers the following nine Member States with a derogation: Bulgaria, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania and Sweden.

The reports include an examination of the compatibility of the national legislation, in particular the statute of each national central bank, with Articles 130 and 131 of the Treaty and the Statute of the ESCB and of the ECB. The reports also examine the achievement of a high degree of sustainable convergence by reference to the fulfilment of the convergence criteria and take account of several other factors required under the final sub-paragraph of Article 140(1) of the Treaty. In its Convergence Report, the Commission concludes that amongst the assessed Member States only Estonia fulfils the conditions for the adoption of the euro.

CONTENT: the proposal states that Estonia fulfils the necessary conditions for the adoption of the euro. The derogation in favour of Estonia referred to in Article 4 of the 2003 Act of Accession is abrogated with effect from 1 January 2011.

FINANCIAL IMPLICATIONS: the proposal has no implications for the budget of the Union.

Adoption by Estonia of the euro on 1 January 2011

The Committee on Economic and Monetary Affairs adopted the report drafted by Edward SCICLUNA (S&D, MT) on the proposal for a Council decision on the adoption by Estonia of the euro on 1 January 2011.

The committee favours the adoption of the euro by Estonia on 1 January 2011 noting that Estonia has fulfilled the criteria, as a result of determined, credible and sustained efforts by the Estonian Government and the Estonian people.

Members call on the Estonian Government to maintain its prudent fiscal policy stance, together with its overall stability-oriented policies, in the face of future macroeconomic imbalances and price stability risks. They call on the Estonian authorities to speed up their practical preparations to ensure a smooth changeover process and calls on the Estonian Government to ensure that the introduction of the euro is not used for hidden price increases.

The committee shows concern regarding the discrepancies between the convergence reports of the Commission and the ECB as regards the sustainability of price stability. They note that the ECB?s 2010 Convergence Report identifies the maintenance of inflation convergence, once the current economic adjustment is over, as very challenging.

Members call on the Member States to allow the Commission to assess compliance with the Maastricht criteria on the basis of definite, independent, current, reliable, and high-quality data. They also call on the Commission to simulate the effect of the euro area rescue package on the Estonian budget when the country joins the euro area and thus becomes a member of the group guaranteeing the rescue funds.

The Commission and the ECB are called upon to: (i) consider all aspects when recommending the final exchange rate for the Estonian kroon; (ii) report to Parliament on steps being considered to minimise asset inflation as a consequence of low interest rates.

Adoption by Estonia of the euro on 1 January 2011

The Council took note of:

- reports from the Commission and the European Central Bank on the fulfilment of economic and monetary union (EMU) convergence criteria by the nine non-euro area Member States with an EMU derogation;
- a proposal for a Council decision aimed at enabling Estonia to adopt the euro as its currency on 1 January 2011.

Representatives of the Member States whose currency is the euro adopted a recommendation to the Council to endorse Estonia's accession to the euro area as proposed. The Council approved the text of a letter to be sent by its president to the European Council, with a view to discussion of the issue at its meeting on 17 June.

A decision is expected to be taken at the Council?s meeting on 13 July.

The Council shared the Commission's assessment that Estonia has achieved a high degree of sustainable convergence and therefore fulfils the necessary conditions for adoption of the euro as its currency. The Commission's proposal would repeal what is considered as a derogation

for Estonia with effect from 1 January 2011.

Sixteen of the EU's 27 Member States currently use the euro as their currency: Belgium, Cyprus, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland. Euro notes and coins were introduced in 12 of those countries on 1 January 2002, in Slovenia on 1 January 2007, in Cyprus and Malta on 1 January 2008 and in Slovakia on 1 January 2009.

Adoption by Estonia of the euro on 1 January 2011

The European Parliament adopted by 589 votes to 40, with 52 abstentions, a legislative resolution approving the proposal for a Council decision on the adoption by Estonia of the euro on 1 January 2011.

The Parliament favours the adoption of the euro by Estonia on 1 January 2011 noting that Estonia has fulfilled the criteria, as a result of determined, credible and sustained efforts by the Estonian Government and the Estonian people.

Members show concern regarding the discrepancies between the convergence reports of the Commission and the ECB as regards the sustainability of price stability. They note that the ECB?s 2010 Convergence Report identifies the maintenance of inflation convergence, once the current economic adjustment is over, as very challenging.

The Parliament calls on the Estonian Government to maintain its prudent fiscal policy stance, together with its overall stability-oriented policies, in the face of future macroeconomic imbalances and price stability risks. It calls on the Estonian authorities to speed up their practical preparations to ensure a smooth changeover process and calls on the Estonian Government to ensure that the introduction of the euro is not used for hidden price increases.

The resolution calls on the Member States to allow the Commission to assess compliance with the Maastricht criteria on the basis of definite, independent, current, reliable, and high-quality data. It also calls on the Commission to simulate the effect of the euro area rescue package on the Estonian budget when the country joins the euro area and thus becomes a member of the group guaranteeing the rescue funds.

The Commission and the ECB are called upon to: (i) consider all aspects when recommending the final exchange rate for the Estonian kroon; (ii) report to Parliament on steps being considered to minimise asset inflation as a consequence of low interest rates.

Adoption by Estonia of the euro on 1 January 2011

OPINION OF THE EUROPEAN CENTRAL BANK on a proposal for a Council regulation amending Regulation (EC) No 974/98 as regards the introduction of the euro in Estonia and on a proposal for a Council regulation amending Regulation (EC) No 2866/98 as regards the conversion rate to the euro for Estonia.

The ECB observes that the proposed regulations will enable the introduction of the euro as the currency of Estonia following the abrogation of Estonia?s derogation in accordance with the procedure set out in Article 140(2) of the Treaty. The ECB welcomes the proposed regulations.

Adoption by Estonia of the euro on 1 January 2011

PURPOSE: to abrogate the derogation in favour of Estonia referred to in the 2003 Act of Accession with effect from 1 January 2011 following Estonia?s adoption of the euro.

LEGISLATIVE ACT: Council Decision 2010/416/EU in accordance with Article 140(2) of the Treaty on the adoption by Estonia of the euro on 1 January 2011.

CONTENT: in accordance with Article 4 of the 2003 Act of Accession, several Member States, and Estonia amongst them, have a derogation from adopting the single currency. Article 140(1) of the Treaty on the Functioning of the EU provides that at least once every two years or at the request of a Member State with a derogation, the Commission and the European Central Bank have to report to the Council on the progress made in the fulfilment by Member States with a derogation of their obligations regarding the achievement of economic and monetary union. Article 140(2) of the Treaty lays down the procedures for abrogation of the derogation of the Member States concerned. On the basis of reports presented by the Commission and the ECB on the progress made in the fulfilment by Estonia of its obligations regarding the achievement of the EMU, the Commission concluded that:

(i) in Estonia, national legislation, including the Statute of the national central bank, is compatible with Articles 130 and 131 of the Treaty and with the Statute of the ESCB and of the ECB;

(ii) regarding the fulfilment by Estonia of the convergence criteria mentioned in the four indents of Article 140(1) of the Treaty:

- the average inflation rate in Estonia in the year ending March 2010 stood at 0.7 percent, which is well below the reference value, and it is likely to remain below the reference value in the months ahead;
- Estonia is not the subject of a Council decision on the existence of an excessive deficit, with a budget deficit of 1.7 % of GDP in 2009;
- Estonia has been a member of the ERM II since 28 June 2004; in the two-year period ending 23 April 2010, the Estonian kroon has not been subject to severe tensions and there has been no deviation from the ERM II central rate since the kroon?s participation;
- as a result of Estonia?s very low level of gross public debt, no benchmark long-term government bonds or other appropriate securities are available to assess the durability of convergence as reflected in long-term interest rates. While financial market risk perceptions vis-à-vis Estonia increased at the height of the crisis, their development during the reference period, as well as a broader assessment on the durability of convergence, including Estonia?s fiscal policy track record and comparatively flexible economy, would support a positive assessment of Estonia?s fulfilment of the long- term interest rate criterion;

(iii) in the light of the assessment on legal compatibility and on the fulfilment of the convergence criteria as well as the additional factors,

Estonia fulfils the necessary conditions for the adoption of the euro,

Accordingly, this Decision provides that the derogation in favour of Estonia referred to in Article 4 of the 2003 Act of Accession is abrogated with effect from 1 January 2011.

ENTRY INTO FORCE: 28/07/2010.